1. **Background and Justification**

Pursuant to the UN General Assembly Resolution 56/201 on the Triennial Policy Review of operational activities for development of the United Nations System, UNDP, UNICEF, UNFPA and WFP (the United Nations Development Group (UNDG) Executive Committee Agencies (Ex-Com Agencies) adopted a common operational framework for transferring cash to government and non-government Implementing Partners. In April 2005, the UNDG formally released a Harmonized Framework for Cash Transfers to Implementing Partners (HA CAT, hereinafter called as “the Framework”). Its implementation will significantly reduce transaction costs and lessen the burden that the multiplicity of UN procedures and rules creates for its partners. Implementing Partners will use common forms and procedures for requesting cash and reporting on its utilization. Agencies will adopt a risk management approach and will select specific procedures for transferring cash on the basis of the joint assessment of the financial management capacity of Implementing Partners. UN Agencies will also undertake activities to maintain assurance over the utilization of the provided cash and the capacity building on HACT for IPs.

The adoption of the new harmonized approach is a further step in implementing Rome Declaration on Harmonization and Paris Declaration on Aid Effectiveness, which calls for a closer alignment of development aid and with national priorities and needs. The approach allows efforts to focus more on strengthening national capacities for management and accountability, with a view to gradual shift to utilizing national systems. It will also help Agencies shape their capacity development interventions and provide support to new aid modalities.

This framework applies to the UNDG’s Executive Committee Agencies (ExCom Agencies being UNDP, UNICEF, UNFPA and WFP) and other UN Agencies that choose to adopt it. It calls for an upfront assessment of the programme country’s public financial management system (macro assessment) and similar assessments of Implementing Partners’ (IPs) financial management capacity (micro assessment). Capacity assessments are required to assess the risk of transferring cash to implementing partners in a specific country environment. The risk assigned to the implementing partner following the assessment enable UN agencies to determine the scope and frequency of assurance activities. Assurance activities must be undertaken during programme implementing to determine whether results were achieved as planned and funds transferred have been used for the intended purpose, in accordance with the work plan, to support the management of fiduciary risks associated with transferring cash.

The HACT Framework has been revised in February 2014. Within the framework of the new United Nations Development Assistance Plan (UNDAP) 2013-2018, the relevant UN Agencies in Rwanda (i.e. UNDP, UNICEF, UNFPA, WFP, UN Women) are looking for a third party service provider to provide consultancy services for conducting spot checks to review financial records related to the management of the partnership with UN agencies. Spot checks are performed in the office of implementing partners.
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Spot checks are not audits therefore the extent of expense testing is generally lower than what would be undertaken during an audit.

This ToR would therefore cover the following IPs to be spot checked by August 10th, 2017:


2. Purpose of Agreed-upon Procedures Engagements

This TOR was developed to guide UN Agency (UNDP), third party service providers and IPs through the objectives, scope, timeline and deliverables of the requested agreed-upon procedures engagement. (See Annex 1 for programme-specific information).

An agreed-upon procedures attest engagement involves engagement of the service provider to prepare a report on factual findings based on specific, agreed-upon procedures performed. As the service provider is engaged to report on the agreed-upon procedures, no assurance is expressed. Instead, users of the report assess for themselves the procedures reported by the service provider and draw their own conclusions. The report is restricted to parties that have agreed to the procedures to be performed, since others, unaware of the reasons for the procedures, may misinterpret the results.

3. Standards

The attestation engagement should be conducted in accordance with ISRS 4400, Agreed-upon Procedures Regarding Financial Information.

4. Scope of the Spot Check Agreed-upon Procedures Engagement

Spot checks are performed to assess the accuracy of financial records for cash transfers to IPs and whether there have been any significant changes to applicable internal controls. The spot check is not an audit.

A list of UNDP Implementing Partners (IPs) for financial spot checks to be undertaken by third party service provider on behalf of UNDP Rwanda is listed in paragraph 9 under Remuneration and Other Considerations.

5. Spot Check Procedures
Consultancy For Conducting Financial Spot Check of UNDP Implementing Partners

The following procedures are to be performed during the spot check. The actual procedures to be performed must be confirmed with the UNDP Office HACT Focal Point prior to the start of the spot check.

1. UNDP Issues an official request letter which specifies objectives, duration and documents and IP personnel required for the spot check.

2. Inquire of IP management whether there have been any changes to internal controls since the prior micro assessment from the current programme cycle. Document any changes identified, if any.

3. Obtain a listing of all programme-related expenditures that support the actual programme expenditures submitted by (insert IP name) on FACE form (insert date and number) for the agreed-upon procedures engagement and perform the following:

- Select a sample of expenditures using a statistical (i.e. random sampling) or non-statistical (e.g. high value or high risk items) approach amounting to at least 50% of total expenditures for the period. At least one item should be selected from each expense category which is greater than 5% of the total expenditure for the period. Provide a detailed listing of expenditures selected as samples.

- For each sample selection perform the following procedures:
  o Verify that documentation exists to support the expenditure in accordance with the IP’s rules and procedures and agreements with the agency.
  o Verify that the activity related to the expenditure is in accordance with the work plan.
  o Verify that the expenditure has been reviewed and approved in accordance with the IP’s rules and procedures and agreements with the agency.
  o Verify that the expenditure was reflected on a certified FACE form submitted to the agency.
  o Verify that the expenditure was reflected in the IP’s accounting records (official book of accounts) and bank statement.
  o Verify that supporting documents are stamped ‘PAID by UNDP resources’ (or coded to and recorded in a separate fund to ensure there is no duplicate claiming of expenditure to UNDP and/or another funding agency), indicating which agency funded the transaction.
  o Verify that the FACE form was submitted consistent with the periodicity-of-disbursement requirement in the HACT framework (two weeks).
  o Verify the price paid for goods or services against United Nations agreed standard rates (if readily available).

4. If separate bank accounts are maintained for agency-granted funds, perform the following procedures:

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1 Agency work plans can be quarterly, annual, multi-year, rolling or joint.
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- Verify that the activity per the bank statements agrees with that reflected in the accounting records. Document any variances noted; and
- Confirm that a bank reconciliation was completed and the balance has been reconciled to the accounting records. Document any variances noted.

6. Deliverables

The service provider will prepare a report in accordance with ISRS 4400. The report template is provided in Annex 2.

Prior to the conclusion of the site visit, the service provider holds an exit meeting with the IP to discuss any initial findings. The UNDP Office HACT Focal Point and concerned Programme Manager should be invited to attend the closing meeting at their discretion.

The third party service provider prepares a spot check work plan detailing work performed. A template is provided in Annex 3.

The service provider provides the draft spot check report and summary of findings and observations to the IP to provide any further clarification and management responses. The spot check report is then provided to the UNDP Office Country Director, Programme Manager and HACT Focal Point for review and comment. It is a good practice to organise preliminary findings sharing for UNDP before the draft report is submitted.

Three (3) hard copies of the final spot check reports are to be provided in Word format together with a soft copy. By using the designated template. Where service provider's internal policies require the final signed version to be provided only in PDF, UNDP will accept the PDF version accompanied by a Word version with same content but without signature and/or branding (as per service provider's internal policies).

Once the report is shared with concerned IPs, UNDP organise a meeting with the service providers and concerned IPs to discuss and agree the time-bound follow-up actions by using the standard template.

7. Qualifications of the Third Party Service Provider

As noted in ISRS 4400 paragraph 7: “The auditor should comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code). Ethical principles governing the auditor's professional responsibilities for this type of engagement are:
(a) Integrity;
(b) Objectivity;
(c) Professional competence and due care;
(d) Confidentiality;
(e) Professional behavior; and
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(f) Technical standards.”

Independence is not a requirement for agreed-upon procedures engagements. However, the terms or objectives of an engagement or national standards may require the party service provider to comply with the independence requirements of the IESBA Code. Where the service provider is not independent, a statement to that effect should be made in the report of factual findings.

The service provider staff must be experienced in applying ISRS standards. The service provider should employ staff with recognized professional qualifications and suitable experience with ISRS standards, including experience in reviewing similar entities.

8. Items to be Provided to the Service Provider

UNDP County Office Programme Manager of concerned section provides the following documentation in advance of starting fieldwork:

- Work plan and any progress reports submitted during the year;
- A list of the IP’s individual transactions (i.e., accounting records), including a summary of the disbursement and FACE forms submitted during the period selected for assessment; and
- Micro assessment report and any related agreed actions, reports of relevant field monitoring visits, available audits reports and other documentation that may help to understand the IP’s internal controls and supported activities.

To ensure efficient use of time, the service provider reviews the information received and provides the IP with a list of requested documents in advance of any site visits.

9. Submissions

The Submissions should be made in two separate envelopes Technical Offer and Financial Offer (Indicating: DO NOT OPEN IN ADVANCE). Offers that are not submitted separately will be deemed as disqualified and will not be assessed further.

Submission requirements:

The offers and spot check reports should be submitted in English;
The final spot check reports should be submitted both in hard copies and soft copy (on a CD).

Duration of the contract: Long Time Agreement (LTA), one year with possibility of extension.
Schedule for spot check: The spot check will be conducted from 10 July 2017 to 10th August, 2017 for all projects (as provided in Annex IX);
The first draft of the spot check reports should be submitted on 30th August 2017;
The final spot check reports should be submitted not later than 15th September 2017.
10. Remuneration and Other Considerations

The successful service provider will commence the assignment as soon as the procurement process is completed and the contract is signed. Submissions will be accepted from both National and International service providers.

The terms of payment for the consultancy will be as follows:

- 40% upon presentation of draft reports
- 60% - final payment upon approval of the final reports.

11. Selection process

The evaluation of the successful proposal shall be based upon most responsiveness to UNDP requirements and a combination of the substantive presentation, the competitiveness of the fees and the time schedule of the spot check exercise. The criteria of evaluation will comprise these elements with a total of 100 points as detailed below. A proposal, which obtains less than 40 points on the substantive presentation, shall not be deemed of sufficient substantive position to be awarded the contract.

Substantive Presentation [70 points].

- The potential capacity to have quality services provided to UNDP will be considered on the basis of a mix of:
  - The profile of the firm/company (10 points);
  - The adequacy of the spot check approach and methodology to meet the spot check services required (25 points);
  - The qualifications and competence of the personnel and the number of working days proposed for the spot check (25 points);
  - The schedule of the engagement, assessed in terms of its responsiveness to the schedule requirements of UNDP (10 points).

The Competitiveness of the Fees [30 points]

If the substantive presentation of a proposal achieves the minimum of 50 points, the competitiveness of the fees will be taken into account in the following manner:

The total amount of points for the fees component is 30. The maximum number of points shall be allotted to the lowest fees proposed that is compared among those invited firms which obtain the
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threshold points in the evaluation of the substantive presentation. All other fees proposals shall receive points in inverse proportion to the lowest fees.

Firms are requested to quote their spot check fees per project.

The Basis of Award will be to the Firm which qualifies in the evaluation of the substantive presentation and propose the lowest spot check fee per project.

Approved by:

Name: Stephen Rodriques
Country Director,
Signature: _____________
Date: ____/___/___
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## SPOTCHECK ANNEXES

### Annex 1. Programme-specific Information

The following information is to be provided to the service provider by the UNDP Office HACT Focal Point at the start of the engagement.

<table>
<thead>
<tr>
<th>IP name:</th>
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<tbody>
<tr>
<td>Programme name:</td>
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<tr>
<td>Programme number:</td>
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<td>Programme background:</td>
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<td>Programme location:</td>
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<td>Programme contact person(s):</td>
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<td>Location of records:</td>
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<tr>
<td>Currency of records maintained:</td>
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<tr>
<td>Period of transactions covered by spot check:</td>
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<td>Funds received during the period covered by the spot check:</td>
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<tr>
<td>Expenditures incurred/reported during the period covered by the spot check:</td>
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<tr>
<td>Intended start date of the spot check:</td>
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<td>Estimated number of days required for the spot check:</td>
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<tr>
<td>Recipient of the report:</td>
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<tr>
<td>Submission deadline (including draft and final reports to local agency management):</td>
<td></td>
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</tbody>
</table>
**TERMS OF REFERENCE**

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<table>
<thead>
<tr>
<th>Submission logistics:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any special requests to be considered during the spot check:</td>
</tr>
<tr>
<td>Cash transfer modality used by the IP:</td>
</tr>
</tbody>
</table>
Consultancy For Conducting Financial Spot Check of UNDP Implementing Partners

Annex 2. ISRS 4400 Agreed-upon Procedures Report Template

*Report of factual findings*

To (those who engaged the auditor)

We have performed the procedures agreed with you and enumerated below with respect to the actual programme expenditures related to (insert programme name and number) as at (for the XX month period ended) (date), submitted by (insert IP partner name) on FACE form (insert date and number). Our engagement was undertaken in accordance with the ISRS (or refer to relevant national standards or practices) applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the validity of accounting records that support cash transfers from (agency) and are summarized as follows:

1. Inquire of IP management whether there have been any changes to internal controls since the prior micro assessment from the current programme cycle. Document any changes identified.

2. Obtain a listing of all programme related expenditures that support the actual programme expenditures submitted by (insert IP name) on FACE form (insert date and number) for the agreed-upon procedures engagement and perform the following:

   - Select a sample of expenditures amounting to (insert the number of percentage) percent the actual programme expenditures submitted on the FACE form.
   - For each sample selection performed the following procedures:

     o Verify that documentation exists to support the expenditure in accordance with the IP’s rules and procedures and agreements with the agency.
     o Verify that the activity related to the expenditure is in accordance with the work plan.
     o Verify that the expenditure has been reviewed and approved in accordance with the IP’s rules and procedures and agreements with the agency.
     o Verify that the expenditure was reflected on a certified FACE form submitted to the agency.
     o Verify that the expenditure was reflected in the IP’s accounting records and bank statement.
     o Verify that supporting documents are stamped ‘PAID from XXX grant’ or coded to and recorded in a separate UNDP fund, indicating which agency funded the transaction.
     o Verify that the FACE form was submitted consistent with the periodicity-of-disbursement requirement in the HACT framework (within two weeks).
     o Verify the price paid for goods or services against United Nations agreed standard rates (if readily available).
3. If separate bank accounts are maintained for agency-granted funds, perform the following procedures:

   - Verify that the activity per the bank statements agrees with that reflected in the accounting records. Document any variances noted; and
   - Confirm that a bank reconciliation was completed and the balance has been reconciled to the accounting records. Document any variances noted.

We report our findings in the attached schedules specified by UNDP:

(a) Spot Check Work plan;
(b) Sample of Expenditures; and
(c) Findings and Recommendations.

Because these procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), we do not express any assurance on the actual programme expenditures submitted by (insert IP name) on FACE form (insert number and date).

Had we performed additional procedures or had we performed an audit or review of the financial statement in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information. It is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the items specified above and does not extend to any financial statement of the implementing partner, taken as a whole.

Signature
Date
Address
### Annex 3. Spot Check Work Plan

<table>
<thead>
<tr>
<th>Programme title:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Project title:</td>
<td></td>
</tr>
<tr>
<td>Name of IP:</td>
<td></td>
</tr>
<tr>
<td>Location of IP/programme:</td>
<td></td>
</tr>
<tr>
<td>IP contact person and position:</td>
<td></td>
</tr>
<tr>
<td>Start/end date of spot check (dd/mm/yyyy – dd/mm/yyyy):</td>
<td></td>
</tr>
<tr>
<td>Dates covered by FACE form selected for testing (dd/mm/yyyy – dd/mm/yyyy):</td>
<td></td>
</tr>
<tr>
<td>Date of last spot check (dd/mm/yyyy – dd/mm/yyyy):</td>
<td></td>
</tr>
<tr>
<td>Member(s) of the spot check team (Name, designation, section/organization):</td>
<td></td>
</tr>
<tr>
<td>IP staff whom the spot check team met and worked with during the spot check (names and titles)</td>
<td></td>
</tr>
</tbody>
</table>

**Internal Controls:** Complete the following table covering specific procedures regarding internal controls.

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Inquire of IP management whether there have been any changes to internal controls since the prior micro assessment from the current programme cycle. Document any changes identified.</td>
<td></td>
</tr>
</tbody>
</table>
Consultancy For Conducting Financial Spot Check of UNDP Implementing Partners

Annex 4: List of Projects per IP

<table>
<thead>
<tr>
<th>Implementing Partner</th>
<th>Project description</th>
</tr>
</thead>
<tbody>
<tr>
<td>MIDIMAR</td>
<td>00087340 - Building National and Local Capacity</td>
</tr>
<tr>
<td>MINECOFIN</td>
<td>00088550 - Support for effective development</td>
</tr>
<tr>
<td>REMA</td>
<td>00079116 - Reduction of risks of PCBs</td>
</tr>
<tr>
<td></td>
<td>00088551 - Green Economy Approach</td>
</tr>
<tr>
<td></td>
<td>00088858 - Poverty Environment Initiative</td>
</tr>
<tr>
<td></td>
<td>00088969 - Ecosystem Rehabilitation</td>
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<tr>
<td>NCBS</td>
<td>00088810 - Capacity Development Support</td>
</tr>
<tr>
<td>FONERWA</td>
<td>00088834 - Support to Climate Change Fund</td>
</tr>
<tr>
<td>MINIRENA</td>
<td>00088970 - Ministry of Natural Resources</td>
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<tr>
<td>MINIYOUTH</td>
<td>00089849 - Youth Employment Programme</td>
</tr>
<tr>
<td>Parliament</td>
<td>00087591 - Support to National Parliament</td>
</tr>
<tr>
<td>NEC</td>
<td>00087592 - National Electoral Commission</td>
</tr>
<tr>
<td>MHC</td>
<td>00087593 - Support to Media High Council</td>
</tr>
<tr>
<td>RGB</td>
<td>00087594 - Rwanda Governance Board</td>
</tr>
<tr>
<td></td>
<td>00090403 - STRENGTHENING CIVIL SOCIETY OR</td>
</tr>
<tr>
<td>NFPO</td>
<td>00087595 - Forum for Political Parties</td>
</tr>
<tr>
<td>MINIJUST</td>
<td>00087705 - Support to the Ministry of Justice</td>
</tr>
<tr>
<td>NHRC</td>
<td>00087706 - Support to National Human Right</td>
</tr>
<tr>
<td>NURC</td>
<td>00087707 - Support to National Unity and Reconciliation</td>
</tr>
<tr>
<td>RNP</td>
<td>00087708 - Support to Rwanda National Police</td>
</tr>
<tr>
<td>MINADEF</td>
<td>00094887 – Support to Rwanda Peace Academy</td>
</tr>
</tbody>
</table>
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**Sample of Expenditures.** This is a minimum requirements template. It may be modified to include additional sections.

| Sample expenditure description and voucher number | Sample expenditure amount reported | Documentation exists to support expenditure in accordance with IP’s applicable rules and procedures and agreements with the agency? (Y/N) – document the evidence reviewed | Activity is related to expenditure in accordance with work plan? (Y/N) – document the line item in the budget or work plan | Expenditure has been reviewed and approved in accordance with IP’s applicable rules and procedures and agreements with the agency? (Y/N) – document the level of review and approval | Expenditure was reflected on a certified FACE form submitted to the agency and in IP’s accounting records and bank statement? (Y/N) | Supporting documents are stamped ‘PAID from XXX grant’, indicating which agency funded the transaction or coded to and recorded in a UNICEF specific fund? (Y/N) | Expenditure was recorded in the IP’s accounting records and reflected in a certified FACE form in the period in which it was incurred? (Y/N) | Price paid for goods or services against United Nations agreed standard rates (if readily available) and according to budget | Comment / finding |
|--------------------------------------------------|--------------------------------------|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
|                                                  |                                      |                                                                                                |                                                                                                |                                                                                                |                                                                                                |                                                                                                |                                                                                                |                                                                                                |                                                                                                |                                                                                                |
|                                                  |                                      |                                                                                                |                                                                                                |                                                                                                |                                                                                                |                                                                                                |                                                                                                |                                                                                                |                                                                                                |                                                                                                |
| **Total sample expenditures:**                   |                                      |                                                                                                |                                                                                                |                                                                                                |                                                                                                |                                                                                                |                                                                                                |                                                                                                |                                                                                                |                                                                                                |
| **Total expenditures reported on FACE forms during period under spot check:** |                                      |                                                                                                |                                                                                                |                                                                                                |                                                                                                |                                                                                                |                                                                                                |                                                                                                |                                                                                                |                                                                                                |
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**Consultancy For Conducting Financial Spot Check of UNDP Implementing Partners**

| Sample expenditure description and voucher number | Sample expenditure amount reported | Documentation exists to support expenditure in accordance with IP’s applicable rules and procedures and agreements with the agency? (Y/N) – document the evidence reviewed | Activity is related to expenditure in accordance with work plan? (Y/N) – document the line item in the budget or work plan | Expenditure has been reviewed and approved in accordance with IP’s applicable rules and procedures and agreements with the agency? (Y/N) – document the level of review and approval | Expenditure was reflected on a certified FACE form submitted to the agency and in IP’s accounting records and bank statement? (Y/N) | Supporting documents are stamped ‘PAID from XXX grant’, indicating which agency funded the transaction or coded to and recorded in a UNICEF specific fund? (Y/N) | Expenditure was recorded in the IP’s accounting records and reflected in a certified FACE form in the period in which it was incurred? (Y/N) | Price paid for goods or services against United Nations agreed standard rates (if readily available) and according to budget | Comment / finding |
|-------------------------------------------------|----------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|------------------|
| Percentage coverage: (Total sample expenditures divided by total expenditures reported on FACE forms during period under spot check) | | | | | | | | | |
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### Consultancy For Conducting Financial Spot Check of UNDP Implementing Partners

### Findings and Recommendations

*This is a minimum requirements template. It may be modified to include additional sections.*

A. Observations relating to overall financial management practices, internal control environment and compliance

<table>
<thead>
<tr>
<th>Observation description</th>
<th>Category of observation</th>
<th>Risk rating</th>
<th>Management Response</th>
<th>Recommendation</th>
<th>Priority</th>
<th>Due date for implementation</th>
<th>Management Response</th>
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<tbody>
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<td>1</td>
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**Note 1:**
Category of observations:
1. Accounting and financial reporting systems and procedures
2. Cash, bank and asset management
3. Internal control deficiency, including approvals and segregation of duties
4. Contracting process and procurement procedures
5. Compliance with agreement and other laws and regulations
6. Other

**Note 2:**
Risk ratings:
- **High:** significant likelihood of negative impact on the IP's ability to execute or report on the programme in accordance with the work plan.
- **Medium:** likelihood of negative impact on the IP's ability to execute or report on some aspects of the programme in accordance with the work plan.
- **Low:** low likelihood of potential negative impact on the IP's ability to execute or report on the programme in accordance with the WP
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Note 3:
Priority Ranking:
  - **High**: Action that is considered imperative to ensure that the agency is not exposed to high risks (i.e. failure to take action could result in major consequences and issues).
  - **Medium**: Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences).
  - **Low**: Action that is considered desirable and should result in enhanced control or better value for money.
B. Observations relating to specific expenditures selected for testing

<table>
<thead>
<tr>
<th>Sample expenditure description and voucher number</th>
<th>Sample expenditure amount reported and currency</th>
<th>Observation description</th>
<th>Category of observation</th>
<th>Risk rating</th>
<th>Management Response</th>
<th>Recommendation</th>
<th>Priority</th>
<th>Due date for implementation</th>
<th>Manageme nt Response</th>
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**Note 1:**
Category of observations:
1. Missing or inadequate documentation
2. Error in calculating or recording the expenditure
3. Expenditure not related to the programme or activity
4. Expenditure exceeds the approved budget rate or amount
5. Expenditure incurred outside the agreement period
6. Expenditure not recorded in the correct period or FACE form
7. Expenditure not approved as per IP policy
8. Expenditure not compliant with tax, legal or other regulations
9. Lack of proof that the expenditure was incurred or no proof of payment
10. Potential fraud or other irregularity

**Note 2:**
Risk ratings:
- **High:** significant likelihood of negative impact on the IP's ability to execute or report on the programme in accordance with the work plan.
- **Medium:** likelihood of negative impact on the IP's ability to execute or report on some aspects of the programme in accordance with the work plan.
- **Low:** low likelihood of potential negative impact on the IP's ability to execute or report on the programme in accordance with the WP

**Note 3:**
Priority Ranking:
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**High:** Action that is considered imperative to ensure that the agency is not exposed to high risks (i.e. failure to take action could result in major consequences and issues).

**Medium:** Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences).

**Low:** Action that is considered desirable and should result in enhanced control or better value for money.
TERMS OF REFERENCE

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